

261—68.4(15) Tax incentives.

68.4(1) Sales and use tax refund. Pursuant to Iowa Code section 15.331A, the approved business may claim a refund of the sales and use taxes paid under Iowa Code chapter 423 for gas, electricity, water, or sewer utility services, tangible personal property, or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility of the approved business. Taxes attributable to intangible property and furniture and furnishings shall not be refunded.

a. Filing a claim. To receive the refund, the approved business shall file a claim with the department pursuant to the department's applicable rules.

b. Racks, shelving, and conveyor equipment. If the project is the location, expansion, or modernization of a warehouse or distribution center, the approved business may be entitled to a refund of sales and use taxes attributable to racks, shelving, and conveyor equipment.

An approved business that receives a refund or a tax credit in one fiscal year shall not be considered in a succeeding fiscal year. No business shall receive more than \$500,000 in refunds or credits pursuant to this paragraph.

68.4(2) Third-party developer tax credit. Pursuant to Iowa Code section 15.331C, the approved business may claim a tax credit up to an amount equal to the sales and use taxes paid by a third-party developer under Iowa Code chapter 423 for gas, electricity, water, or sewer utility services, tangible personal property, or on services rendered, furnished, or performed to or for a contractor or subcontractor and used in the fulfillment of a written contract relating to the construction or equipping of a facility of the approved business. Taxes attributable to intangible property and furniture and furnishings shall not be refunded.

a. Filing a claim. To receive the tax credit, the approved business shall file a claim with the department pursuant to the department's applicable rules.

b. Racks, shelving, and conveyor equipment. If the project is the location, expansion, or modernization of a warehouse or distribution center, the approved business may claim a tax credit up to the amount of sales and use taxes paid by a third-party developer and attributable to racks, shelving, and conveyor equipment. An approved business that receives a refund or a tax credit in one fiscal year shall not be considered in a succeeding fiscal year. No business shall receive more than \$500,000 in refunds or credits pursuant to this paragraph.

68.4(3) Value-added property tax exemption. Pursuant to Iowa Code section 15.332, the community may exempt from taxation all or a portion of the actual value added by improvements to real property directly related to jobs created or retained by the project and used in the operations of the approved business. The exemption may be allowed for a period not to exceed 20 years beginning the year the improvements are first assessed for taxation. For purposes of this subrule, improvements include new construction and rehabilitation of and additions to existing structures. The exemption shall apply to all taxing districts in which the real property is located. The community shall provide the authority and the local assessor with a copy of the resolution adopted by its governing body which indicates the estimated value and duration of the authorized exemption.

68.4(4) Investment tax credit.

a. Claiming the investment tax credit. Pursuant to Iowa Code section 15.333, the approved business may claim an investment tax credit equal to a percentage of the new investment. The tax credit can be claimed when the qualifying asset is placed in service. The tax credit shall be amortized over a five-year period. The annual amounts that may be claimed by the business during that period are subject to negotiations. The final five-year amortization period and the negotiated annual amounts will be specified in a contract entered into with the authority. The tax credit shall be allowed against taxes imposed under Iowa Code chapter 422, division II, III, or V and against the moneys and credits tax imposed in Iowa Code section 533.24. The approved business shall not claim a tax credit in excess of the amount specified in a contract entered into with the authority.

b. Investment qualifying for the tax credit. For purposes of this subrule, new investment means all of the following:

(1) The cost of machinery and equipment, as defined in Iowa Code section 427A.1(1) “e” and “j,” purchased for use in the operation of the approved business.

(2) The purchase price of real property and any buildings and structures located on the real property.

(3) The cost of improvements made to real property which is used in the operation of the approved business.

(4) The annual base rent paid to a third-party developer by an approved business for a period equal to the term of the lease agreement but not to exceed the maximum term specified in a contract entered into with the authority, provided the cumulative cost of the base rent payments for that period does not exceed the cost of the land and the third-party developer’s costs to build or renovate the building for the approved business. Annual base rent shall be considered only when the project includes the construction of a new building or the major renovation of an existing building. The approved business shall enter into a lease agreement with the third-party developer for a minimum of five years.

68.4(5) Insurance premium tax credit. Pursuant to Iowa Code section 15.333A, the approved business may claim an insurance premium tax credit equal to a percentage of the new investment.

a. Claiming the tax credit. The tax credit can be claimed when the qualifying asset is placed in service. The tax credit shall be amortized equally over a five-year period which the authority will, in consultation with the eligible business, define. The five-year amortization period shall be specified in a contract entered into with the authority. The tax credit shall be allowed against taxes imposed under Iowa Code chapter 432. A tax credit in excess of the tax liability for the tax year may be credited to the tax liability for the following seven years or until depleted, whichever occurs first. The approved business shall not claim a tax credit in excess of the amount specified in a contract entered into with the authority.

b. Investment qualifying for the tax credit. For purposes of this subrule, new investment means all of the following:

(1) The cost of machinery and equipment, as defined in Iowa Code section 427A.1(1) “e” and “j,” purchased for use in the operation of the approved business.

(2) The purchase price of real property and any buildings and structures located on the real property.

(3) The cost of improvements made to real property which is used in the operation of the approved business.

(4) The annual base rent paid to a third-party developer by an approved business for a period equal to the term of the lease agreement but not to exceed the maximum term specified in a contract entered into with the authority, provided the cumulative cost of the base rent payments for that period does not exceed the cost of the land and the third-party developer’s costs to build or renovate the building for the approved business. Annual base rent shall be considered only when the project includes the construction of a new building or the major renovation of an existing building. The approved business shall enter into a lease agreement with the third-party developer for a minimum of five years.

68.4(6) Research activities credit. Pursuant to Iowa Code section 15.335, the approved business may claim a corporate tax credit for increasing research activities in Iowa during the period the approved business is participating in the program. For purposes of this subrule, “research activities” includes the development and deployment of innovative renewable energy generation components manufactured or assembled in Iowa. A renewable energy generation component will no longer be considered innovative when more than 200 megawatts of installed effective nameplate capacity has been achieved. Research activities credits awarded under this program for innovative renewable energy generation components shall not exceed the amount specified in Iowa Code section 15.335.

68.4(7) Maximum tax incentives available. Tax incentives awarded under this program are based upon the number of jobs created or retained that pay the qualifying wage threshold for HQJP as established in 261—Chapter 174 and the amount of qualifying investment. The maximum possible award is based on the following schedule:

a. The business is required to maintain the base employment level, but no high quality jobs are created or retained and economic activity is furthered by the qualifying investment. For purposes of this paragraph, “economic activity” means a modernization project which will result in increased skills and wages for the current employees.

- (1) Less than \$100,000 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 1 percent.
 2. Reserved.
- (2) \$100,000 to \$499,999 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 1 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
- (3) \$500,000 or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 1 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
 3. Research activities credit.
- b. 1 to 5 high quality jobs are created or retained.
- (1) Less than \$100,000 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 2 percent.
 2. Reserved.
- (2) \$100,000 to \$499,999 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 2 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
- (3) \$500,000 or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 2 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
 3. Research activities credit.
- c. 6 to 10 high quality jobs are created or retained.
- (1) Less than \$100,000 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 3 percent.
 2. Reserved.
- (2) \$100,000 to \$499,999 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 3 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
- (3) \$500,000 or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 3 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
 3. Research activities credit.
- d. 11 to 15 high quality jobs are created or retained.
- (1) Less than \$100,000 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 4 percent.
 2. Reserved.
- (2) \$100,000 to \$499,999 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 4 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
- (3) \$500,000 or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 4 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
 3. Research activities credit.
- e. 16 to 30 high quality jobs are created or retained.
- (1) Less than \$100,000 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 5 percent.
 2. Reserved.
- (2) \$100,000 to \$499,999 in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 5 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
- (3) \$500,000 or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 4 percent.

2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
3. Research activities credit.
- f.* 31 to 40 high quality jobs are created or retained.
 - (1) \$10 million or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 6 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
 3. Research activities credit.
 4. Value-added property tax exemption.
 - (2) Reserved.
- g.* 41 to 60 high quality jobs are created or retained.
 - (1) \$10 million or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 7 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
 3. Research activities credit.
 4. Value-added property tax exemption.
 - (2) Reserved.
- h.* 61 to 80 high quality jobs are created or retained.
 - (1) \$10 million or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 8 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
 3. Research activities credit.
 4. Value-added property tax exemption.
 - (2) Reserved.
- i.* 81 to 100 high quality jobs are created or retained.
 - (1) \$10 million or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 9 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
 3. Research activities credit.
 4. Value-added property tax exemption.
 - (2) Reserved.
- j.* 101 or more high quality jobs are created or retained.
 - (1) \$10 million or more in qualifying investment.
 1. Investment tax credit or insurance premium tax credit of up to 10 percent.
 2. Sales and use tax refund or third-party developer tax credit, or both, if applicable.
 3. Research activities credit.
 4. Value-added property tax exemption.
 - (2) Reserved.

[**ARC 7557B**, IAB 2/11/09, effective 3/18/09; **ARC 7970B**, IAB 7/15/09, effective 7/1/09; **ARC 8145B**, IAB 9/23/09, effective 10/28/09; **ARC 0442C**, IAB 11/14/12, effective 12/19/12; **ARC 1801C**, IAB 12/24/14, effective 1/28/15; **ARC 3385C**, IAB 10/11/17, effective 11/15/17; **ARC 6188C**, IAB 2/9/22, effective 3/16/22]